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JARED PATTERSON

TEXAS STATE REPRESENTATIVE • DISTRICT 106

January 27, 2022

Chairman Lake
Commissioner McAdams
Commissioner Cobos
Commissioner Glotfelty
Public Utility Commission of Texas
1701 N. Congress Avenue
PO Box 13326
Austin, TX 78711-3326

Dear Chairman Lake and PUC Commissioners:

First of all, thank you for working diligently to ensure legislation passed in response to Winter Storm Uri is implemented. I can say you have done an admirable job responding to the rightful concerns about the status of our electricity grid since taking office as the brand new commission.

Secondly, as a legislator and a 16-year veteran within the electricity industry, I would like to share my point of view about two of the proposals before you at this time.

The Phase I initiatives are a substantial change to the market. When combined with the dramatic increase in communication and weatherization throughout the power generation ecosystem, if another Uri-type event were to occur, I believe the risk of devastation is much lower. Your work, and that of the Texas legislature, has our grid in better shape than it has been in years. That said, we cannot simply look at what happened during that one week in February 2021 in a vacuum. What were the issues before? What set up the power generation structure in place during the events of Winter Storm Uri? Why weren't there more dispatchable resources active in the marketplace before February 2021?

It should be noted that there were problems prior to Winter Storm Uri, notably highlighted in August 2019 during a power shortage which caused real-time rates to skyrocket. I predicted a number of those issues earlier in 2019, during the legislative session with HB 2908. Namely, highly subsidized and non-dispatchable wind power pushing dispatchable sources of power out of the market. Coal and natural gas-fired electricity generation plants cannot compete with highly subsidized wind power's Federal Production Tax Credit.

Imagine a natural gas power generator as your hamburger stand. You sell hamburgers for \$3 each. Next door, the competition (wind-powered generators) builds a hamburger stand so highly subsidized that they pay consumers \$2.30 to take a burger. And because of the rules of the marketplace, even if a consumer wanted to pay \$3 for a burger, they have to take the competition's burger and cash first. Oh, and the \$3 hamburger stand is required, by rule, to cook a certain number of burgers per day. If they don't they could face a stiff penalty. The competition? They cook burgers if they choose. If not, no penalty.

That process wouldn't work for hamburgers and it doesn't work for the Texas electricity market.



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It appears the primary questions before the commission are how to further incentivize new dispatchable power generation, and just as important, who is going to pay for it. I understand one option is the Load Serving Entity (LSE) Obligation, which brings our energy-only market toward a capacity market. Forcing additional costs onto consumers to address the lack of dispatchable resources is the wrong route.

Consumers, through their taxes, are already paying heavily in subsidies to those causing the issue: wind power generation companies. Further, consumers, through their transmission and delivery companies, are paying heavily for CREZ lines (billions over budget) to bring wind power from west Texas to load centers. Through the LSE, consumers would be forced to pay even more to back up the failed wind experiment with reliable, dispatchable power, through a line item charge on their electricity bill.

One other option before the commission seems to work toward the root of the issue. The Dispatchable Energy Credit (DECs) is a unique tool agnostic to the source of power generation. Simply put, you can either dispatch power when called upon, or pay into the system to ensure there is power available when you are not. Similar to Demand Response for end use customers, who are paid to be available to curtail, DECs are payments to be available to generate power. Rather than a specific line item charge on the customer's bill, this would simply add cost to any generator who cannot perform when needed.

If there is one thing we've learned in recent years, it's that a lack of power generation, when needed, can cost our economy and, more importantly, the lives of Texans. Regardless of the fuel type, power generators should be forced to be available to provide power in moments of crisis. If they cannot, they should find alternate means of doing so. As I understand it, the DEC would accomplish this goal without raising costs to the average consumer – and as important – it would place the costs where they belong, with non-dispatchable power generators.

As you continue to discuss options for improving Texas electricity market, I urge you to consider who is shouldering the burden of the redesign. Is it the customer who is supposed to receive the power, or the entity that is supposed to provide it?

Thank you for your time and attention to this matter. Please do not hesitate to reach out if I can be of service to you.

God bless Texas,

A handwritten signature in black ink that reads "Jared A. Patterson".

Jared Patterson
State Representative